

LBNL – PROCUREMENT STANDARD PRACTICES

Section: 17 Special Subcontracting Methods

Subject: 17.1 Options

PURPOSE: This standard practice (SP) describes the procedure to use when considering subcontract options.

POLICY: The Laboratory will evaluate potential subcontract options and establish and exercise subcontract options beneficial to the Laboratory and the government.

SCOPE: This SP applies to all subcontracts.

DEFINITION:

Option

Option means a unilateral right in a subcontract by which, for a specified time, the University may elect to purchase additional supplies or services called for by the subcontract, or may elect to extend the term of the subcontract.

PROCEDURES:

Considerations for Inclusion of Options

Options should be considered for inclusion in solicitations and subcontracts if:

- Near-term, follow-on work will be required;
- Additional quantities of supplies or services are likely to be required; or
- Other conditions warrant inclusion of an option; and
- There is a reasonable likelihood that the option will be exercised.

Options are normally not included if:

- Market prices for the supplies or services are likely to change substantially;
- Delivery requirements are far enough in the future to permit another competitive acquisition for the supplies or services; or
- The option will involve undue risk; e.g., the price or availability of necessary supplies or services is not reasonably foreseeable.

Unpriced Options — The use of unpriced options should be avoided except when the subcontract will be performed in phases, the work is non-severable, and the scope of work for latter phases is not sufficiently defined to allow the subcontractor to submit a detailed cost proposal or firm pricing.

Solicitations

Option provisions included in a solicitation shall adhere to the following guidelines:

- Options must be designed to be advantageous to the Laboratory

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and the government;

- Options must be consistently applied to all offerors and not favor a particular offeror;
- Solicitations must state whether the basis for evaluation of the offers will be inclusive or exclusive of the option(s); and
- Every effort must be made to identify specific elements of an option by
 - Schedule,
 - Specifications, and
 - Price.

Subcontracts

Subcontracts shall contain option clauses that address the following:

- Limits on the additional supplies or services to be purchased, or the overall duration of the term of the subcontract, including any extension; and
- The period within which the option may be exercised. The period must be established to provide adequate lead time for the subcontractor to ensure continuous performance.

Subcontracts may express options for increased quantities of supplies or services in terms of:

- Percentage of specific line items,
- Increase in specific line items; or
- Additional numbered line items identified as the option.

Subcontracts may express extensions of the term of the subcontract as an amended completion date or as additional time for performance; e.g., days, weeks, or months.

Evaluation of Options

Solicitations must state whether the basis for evaluation of the offers will be inclusive or exclusive of the option(s).

The offer associated with an option in a solicitation will normally be evaluated along with the offer associated with the base subcontract requirements.

Exceptions to this general rule are, for example, where an unpriced option is included in a solicitation.

Exercising an Option

An option may only be exercised if the procurement specialist determines that:

- Funding is available;

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- The requirement covered by the option still fulfills an existing Laboratory need; and
- Exercising the option is the most advantageous method of fulfilling the Laboratory's needs when considering price and other factors.

Notification to Subcontractor — A unilateral modification or other written document, which notifies the subcontractor of the exercise of any priced option must be issued within the notification time period specified in the subcontract. A bilateral modification must be effected in the exercise of an unpriced option.

Documentation

The procurement specialist shall document in the subcontract file:

- Justification for inclusion of any restrictive option provisions, e.g., unusual option quantities and limitations on option pricing; and
- If the option is exercised, that the requirements of this SP have been followed, i.e., funding is available; the option fulfills an existing Laboratory need; and the option is the most advantageous method of acquiring the additional supplies or services, price and other factors considered.

RESPONSIBILITIES:

Procurement Specialist

The procurement specialist shall:

- Identify potential subcontracting options that would benefit the Laboratory;
- Include option provisions in solicitations using the guidelines in this SP;
- Determine if all conditions in this SP have been met in order to exercise the option;
- Document the reasons for inclusion of restrictive option provisions and for the exercise of an option in the subcontract file;
- Provide a unilateral modification or other written document, which notifies the subcontractor of the exercise of any priced option within the notification time period specified in the subcontract; and
- Provide a bilateral modification to exercise and definitize any unpriced option within the notification time period specified in the subcontract.